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BEFORE THE ARIZONA CORPORATION CO

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IN THE MATTER OF THE APPLICATION OF FAR WEST WATER & SEWER, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS WASTEWATER RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE.	Docket No. WS-03478A-12-0307

NOTICE OF ERRATA

The Residential Utility Consumer Office ("RUCO") hereby provides notice of errata to supplement its filing with the attached proposed amendment. The proposed amendment was inadvertently omitted from the Exceptions.

RESPECTFULLY SUBMITTED this 6th day of September, 2013.

Michelle L. Wood
Counsel

Arizona Corporation Commission
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AN ORIGINAL AND THIRTEEN COPIES
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Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing hand delivered/
mailed this 6th day of September, 2013 to:

Lyn Farmer
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Steven Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Jeffrey W. Crockett
Brownstein Hyatt Farber Schreck LLP
One E. Washington St., Suite 2400
Phoenix, Arizona 85004

Craig A. Marks
Craig A. Marks, PLC
10645 N. Tatum Blvd., Suite 200-676
Phoenix, Arizona 85028

Robert C. Gilkey
Barbara S. Gilkey
14784 E. 49th Street
Yuma, AZ 85367

Robert Rist
9593 E. 34th Place
Yuma, AZ 85365

Rodney Taylor
Kim Taylor
11440 E. 26th Lane
Yuma, AZ 85367

Seth Davis
Barbara Davis
2006 S. Arboleda Dr.
Merced, CA 95341

Jerry S. Durden
12789 E. 46th St.
Yuma, AZ 85367

By Cheryl Fraulob
Cheryl Fraulob

RUCO's Proposed Amendment

DELETE: Pages 15-16, Lines 4-15.

INSERT the following at Page 15, Line 4:

To include as the Company requests we would have to ignore the Company's direct testimony and multiple prior filings describing its permitted and design capacity as 2,332,500 GPD. According to the evidence in the record, the Company's system-wide permitted capacity during the test year was:

ROO	**2011 Annual Report:**	**2012 Annual Report**	**Direct Testimony Ray Jones**
1,438,500 GPD[1]	2,332,500 GPD[2]	2,332,500 GPD[3]	2,332,500 GPD[4]

More specifically, the evidence submitted by the Company and reflected in its APP permits shows the Company's facilities have the following permitted and design capacities:

WWTP	**APP Permit**	**DESIGN CAPACITY**
Marwood 14000 E. 56th St.	102829	340,000 GPD
Section 14 12651 Avenue 14E	105014	1,300,000 GPD
MDS - Villa Royale 12342 E. Del Rico	100221	10,000 GPD
MDS - Del Oro 1171 7 Omega Lane	101816	495,000 GPD
MDS - Del Rey 12342 E. Del Rico	101814	37,500 GPD
Seasons 10301 County 10th St.	103618	150,000 GPD[5]
Total		2,332,500 GPD

Contrary to the Company's rebuttal position, the design and permitted capacity of its system was 2,332,500 GPD during the test year.[6]

The biggest disagreement between the parties relates to Section 14. RUCO argues that the plant is designed and permitted at 1.3 mgd. The Company argues that the plant has a lower permitted capacity, 681 mgd. While it may be true that the Company's APP allows the Company to build its systems in phases, it does not mean that it has a lower permitted capacity. The permit states clearly on its face: *The permittee is authorized to operate a* **1.3 million gallons per day** ***(MGD)*** *wastewater treatment plant (WWTP), constructed in phases.* In addition, end of test year records from ADEQ which were also admitted into the record, clearly indicate the plant has been permitted at 1.3 MGD. On December 15, 2011, the last month of the test year, ADEQ issued a discharge permit to Far West reflecting the permitted capacity of Section 14 as **1.3 MGD**.[7]

Moreover, although the Company's permit allowed phased-in construction, the Company built the system in the first phase to 1.3 mgd with very limited exceptions. Mr. Jones, the

[1] ROO page 15, ll. 16-17.
[2] *See* Exhibit R-3 and R-26, excerpts from Annual Reports.
[3] *Id.*
[4] Exhibit A-1, Direct Testimony of Ray Jones, Schedule RLJ-DT2.
[5] See Exhibit R-9 and R-10, Direct and Surrebuttal Testimony of Royce Duffett.*See* Exhibit R-26 Excerpt from Company's annual report, Exhibit R-25 APP-105014(Section 14); Exhibit R-31 APP 101816(Del Oro); Exhibit R-32 APP 106318 (Seasons). See also Exhibit A-1, Direct Testimony of Ray Jones, Schedule RLJ-DT2
[6] *Id.*
[7] *See* R-2 ADEQ Discharge Authorization dated December 15, 2011.

Company's engineering witness testified that the plant consisted of influent pump stations, grit removal, equalization basins, pre and post anoxic tanks, UV disinfection, recharges wells and/ or a reuse pond.[8] On cross-examination, Mr. Jones admitted that with the exception of three membrane bioreactor cassettes costing less than $224,000 and a potentially unnecessary recharge zone well, the system was essentially constructed to 1.3 MGD as follows:

Section 14 Plant Component	**Capacity as currently constructed**
Equalization basins	No volume requirement
Influent pump station	1.3 MGD
Grit removal system	1.3 MGD
Pre anoxic tanks	1.3 MGD
Post anoxic tanks	1.3 MGD
UV Disinfection	1.35 MGD[9]

We do not find the absence of three membranes a sufficient basis to re-characterize the nature of the rest of the plant. Nor do we find the absence of a recharge zone compelling. The Company's records indicate that vadose well no. 1 was built and constructed for approximately $266,000.[10] There is no proof that additional vadose wells are needed. The APP permit clearly contemplates that no additional wells will need to be built.[11] The APP compliance schedule states that the existing well may be tested to determine its annual capacity. The APP states that:

> *The permittee shall collect data related to the volume of effluent flows in GPD to the renovated Section 14 facility, volume recharged in GPD through each vadose zone recharge well, and the volume of water delivered (metered) in GPD to the golf course....The capacity of the well will be defined on an annual basis before the winter recharge season. This will be defined as the capacity(ies) for the year and reported annually to ADEQ.*[12]

The APP does not require the Company to add a vadose well until the plant effluent flows are equal to 80 percent of the monthly irrigation requirement as measured by the metered flows to the golf course and the annual well capacity.[13] The Company admitted that additional wells were unnecessary in the last rate case.[14] In that case, Andrew Capestro, manager for Far West, testified that:

> *...[O]nce we can show that the vadose well and surrounding golf courses are sufficient to take not only the 681,000 gallons a day but higher than that...Mr. Lee believes that he has studies that show it could take the million three without the vadose well.*[15]

Third, during RUCO's inspection, the Company admitted that they are not using the vadose well and that all effluent is handled by the golf retention pond.[16] Fourth, the fact that the Company has not built new vadose wells should not justify imposing the cost of the $12.6 million dollar plant on current ratepayers.

The Company argues that RUCO's adjustment should be denied because RUCO made the adjustment to non-treatment related plant. RUCO did apply its adjustment to non-treatment related plant, but then again **so did the Company**. In its 17 percent adjustment to Section 14, the Company adjusted:

- Receiving Wells (Receiving Wells)
- Collection Sewers - Force (Collection Sewers - Force)

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[8] T: 160-170
[9] T: 160-170.
[10] T: 461, ll. 20.
[11] *See* Exhibit R-25, p. 15.
[12] *Id.*
[13] *Id.*
[14] *See* Exhibit R-11.
[15] T: 459-462. See also Exhibit R-11.
[16] T: 457-459.

- Collection Sewers - Lift Station (Collection Sewer, Lift Station)
- Plant Sewers (Plant Sewers)
- Outfall Sewer Lines (Outfall Sewer Lines)[17]

RUCO adjusted furniture, vehicles and tools accounts by $76,626, $81,815 and $8,148, respectively. RUCO has conceded those adjustments to preserve its overall adjustment 30.1 percent to the remaining accounts. With RUCO's concession, there is no difference in the accounts adjusted by the parties.

The Company argues that each system serves a separate and distinct service area and should be evaluated individually. Although the Company may not have completed the merger of its systems, the Company has included in UPIS significant expansions and of Del Oro and Section 14 to accommodate additional flows from Villa Royal and Villa Del Rey and modified Seasons plant to encompass the Zenon MBR plant previously installed at Del Oro. The Company's application includes Villa Royal, Villa Del Rey and interconnections to Marwood, as well as, expanded plant at Del Oro and Section 14. The Company did not file its application based on a system-specific cost of service, bill counts, etc. On these facts, we do not find it inconsistent to evaluate the application on a system-wide basis. Nonetheless, even if we analyzed plant on an individual system basis, there is more excess capacity on average than concluded by RUCO:

Plant	Average Flow in Peak Month[18]	Design Flow[19]	Percent Excess
Del Rey	49,235	40,000 *	23% over cap.
Villa Royale	3,588	10,000 *	65% Excess Cap.
Del Oro	159,875	495,000	67% Excess Cap.
Del Oro With Del Rey & Villa Royale combined	212,698	495,000	57% Excess Cap.
Seasons	71,000	150,000	53% Excess Cap.
Marwood	270,588	340,000	20.5% Excess Cap.
Section 14	415,000	1,300,000	68% Excess Cap.
Average based on system wide capacity w/o Del Oro Merger			Average Excess Cap.: 41.75 %
Combining Villa Royale, Del Rey into Del Oro to calculate system wide excess cap.	969,286	2,285,000 * design flow for Del Rey & Villa Royale excluded	Average with combined flows to Del Oro: 57 % Excess Cap.

Contrary to the Company's assertions there is an average excess capacity of 41.75 percent if we evaluate the demand and design capacity as filed, which is greater than RUCO's 30.1 percent excess capacity adjustment. If we look at the capacity anticipating the merger of the Del Oro plant, the plant has excess capacity of 57 percent which is much higher than RUCO's adjustment on a system-wide basis. The only way to conclude for the Company is to ignore the realities of the Company's testimony, filings and APP permits showing a design capacity of 2,332,500 gpd. We reject the Company's assertions and adopt RUCO's 30.1% excess capacity adjustment.

Make all conforming changes.

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[17] Exhibit R-14, Excerpt from Schedule B-2.

[18] Average Flow from Peak month derived from Exhibit Rist-2 calculated by Robert Rist by adding the flows on each day and dividing by the number of days yielded the average daily flow.

[19] Design Flow figures derived from Company's annual filings, testimony and APP's. See Exhibit R-9 and R-10, Direct and Surrebuttal Testimony of Royce Duffett. *See* Exhibit R-26 Excerpt from Company's annual report, Exhibit R-25 APP-105014(Section 14); Exhibit R-31 APP 101816(Del Oro); Exhibit R-32 APP 106318 (Seasons). See also Exhibit A-1, Direct Testimony of Ray Jones, Schedule RLJ-DT2.